

## **NEWS RELEASE**

**FOR RELEASE**\_\_\_\_\_

**Bowman and Miller, P.C. today released an audit report on the City of Toledo, Iowa.**

**The City's receipts totaled \$3,172,049 for the year ended June 30, 2006, a 28.71 percent decrease from 2005. The receipts included \$665,072 in property tax, \$181,716 from tax increment financing collections, \$70,692 in local option sales tax, \$755,090 from charges for services, \$325,764 from operating grants, contributions, and restricted interest, \$522,296 from capital grants, contributions and restricted interest, \$136,272 in unrestricted investment earnings, \$510,000 from loan proceeds and \$26,690 from other general receipts. The large decrease was due to the receipt of \$1,805,000 of bond proceeds in 2005.**

**Disbursements for the year totaled \$3,393,014 an 28.39 percent decrease from the prior year, and included \$1,048,057 for capital projects, 500,940 for public safety, and \$461,614 for debt service. Also disbursements for business type activities totaled \$490,111.**

**A copy of the audit report is available for review in the City Clerk's office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iow.gov/reports/reports.htm>.**

# **CITY OF TOLEDO**

Independent Auditors' Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings and Questioned Costs

June 30, 2006

# CITY OF TOLEDO

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# CITY OF TOLEDO

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
William Christensen	Mayor	December 31, 2005
Donna Princehouse	Mayor Pro-Tem	December 31, 2007
Pete Zmolek	Council Member	December 31, 2005
Dan Ferris	Council Member	December 31, 2007
Elmer (Skip) Wilson	Council Member	December 31, 2005
Harry Gardner	Council Member	December 31, 2005
(After January 2006)		
William Christensen	Mayor	December 31, 2009
Donna Princehouse	Mayor Pro-Tem	December 31, 2007
Pete Zmolek	Council Member	December 31, 2009
Dan Ferris	Council Member	December 31, 2007
Elmer (Skip) Wilson	Council Member	December 31, 2009
Harry Gardner (Deceased July, 2006)	Council Member	December 31, 2009
Kyle Chaska (Appointed July, 2006)	Council Member	December 31, 2009
Carolyn Brownfield	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Toledo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2006 on our consideration of the City of Toledo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 22 through 23 are not required parts of the basic financial statements, but are

supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Toledo's basic financial statements. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
December 27, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

### 2006 FINANCIAL HIGHLIGHTS

- Receipts and transfers of the City's governmental activities decreased 37.08%, or \$1,581,332 from fiscal 2005 to fiscal 2006. Property tax decreased \$94,606 and proceeds from debt issuance decreased \$1,295,000.
- Disbursements decreased 34.07% or \$1,500,336 in fiscal 2006 from fiscal 2005 in the governmental activities. Public safety and debt service disbursements increased \$44,166 and \$102,352, respectively. Capital projects disbursements decreased by \$1,500,667.
- The City's total cash basis net assets decreased 17.93% or \$220,965 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased \$219,771 and the assets of the business type activities decreased by \$1,194.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds,

### Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting

principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and solid waste. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1.) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Tax Increment Financing and Ambulance Equipment, 3) the Debt Service Fund, and 4) the Capital Projects Funds such as the Day Care Center. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2.) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**



Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$774,665 to \$554,894. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 240,300	209,287
Operating grants, contributions and restricted interest	315,474	421,174
Capital grants, contributions and restricted interest	522,296	444,731
General receipts:		
Property tax	815,914	910,520
Other city tax	70,962	82,069
Local option sales tax	136,272	128,599
Grants and contributions not restricted to specific purpose	-	1,900
Unrestricted investment earnings	9,061	7,551
Note proceeds	510,000	1,805,000
Miscellaneous	26,690	17,344
Transfers, net	36,163	236,289
Total receipts and transfers, net	<u>2,683,132</u>	<u>4,264,464</u>
Disbursements:		
Public safety	500,940	456,774
Public works	253,431	296,595
Culture and recreation	257,869	243,387
Community and economic development	39,770	181,362
General government	341,222	317,135
Debt service	461,614	359,262
Capital projects	1,048,057	2,548,724
Total disbursements	<u>2,902,903</u>	<u>4,403,239</u>
Decrease in cash basis net assets	(219,771)	(138,775)
Cash basis net assets beginning of year	<u>774,665</u>	<u>913,440</u>
Cash basis net assets end of year	<u>\$ 554,894</u>	<u>774,665</u>

Total receipts for the City's governmental activities decreased by 37.08% or \$1,581,332. The total cost of all programs and services decreased by \$1,500,336, or 34.07%, with no new programs added this year. The significant decrease in receipts was primarily due to a decrease in proceeds from debt issuance in the amount of \$1,295,000 from 2005 to 2006.

The cost of all governmental activities this year was \$2,902,903 compared to \$4,403,239 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was \$1,824,833 because some of the cost was paid by those who directly benefited from the programs (\$240,300) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$837,770). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2006 from \$1,075,192 to \$1,078,070. The City paid the remaining "public benefit" portion of governmental activities with \$1,824,833 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 240,791	211,561
Sewer	203,880	179,345
Solid waste	10,614	10,299
Reinig estate	59,505	-
Operating grants, contributions and restricted interest	10,290	19,843
Capital grants, contributions and restricted interest	-	-
Total receipts	<u>525,080</u>	<u>421,048</u>
Disbursements and transfers:		
Water	213,460	166,755
Sewer	201,291	149,298
Solid waste	17,866	18,959
Reinig estate	57,494	-
Transfers	36,163	236,289
Total disbursements and transfers	<u>526,274</u>	<u>571,301</u>
Increase in cash basis net assets	(1,194)	(150,253)
Cash basis net assets beginning of year	457,836	608,089
Cash basis net assets end of year	<u>\$ 456,642</u>	<u>457,836</u>

Total business type activities receipts for the fiscal year were \$525,080 compared to \$421,048 last year. Total disbursements and transfers for the fiscal year decreased by 7.88% to a total of \$526,274.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$554,894, a decrease of \$219,771 from last year's total of \$774,665. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance was relatively the same as the prior year.

- The Employee Benefits Fund cash balance for 2006 was 85,198 a decrease of \$92,271 from 2005. The City lowered the employee benefit tax levy resulting in \$93,946 fewer tax dollars being received.
- The Road Use Tax Fund cash balance decreased by \$35,352 to \$91,554 during the fiscal year.
- The Tax Increment Financing cash balance was \$19,832 at the end of 2006. The decrease of \$79,449 was due to transfers to debt service and general fund to help make bond payments.
- The Debt Service Fund cash balance remained the same from 2006. This fund is used to pay off general obligation bonds and notes. In 2006, the City transferred funds from the Local Option Sales Tax Fund and the Tax Increment Financing Fund to pay a portion of the debt.
- Capital Projects Fund cash balance remained the same from the prior year.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$15,163 to \$224,810.
- The Sewer Fund cash balance decreased by \$27,718 to \$117,345, primarily due to \$29,466 in lift station and pump repairs done in fiscal year 2006.
- The Water Sinking Fund cash balance increased by \$14,008 to \$63,230.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 12, 2005 and resulted in an increase in capital projects disbursements related to a new Day Care Center, new roof on community building and completing the aquatic center and library projects. The second amendment was approved on May 22, 2006 to purchase a grass truck for the fire department, first year of running Reinig Center and a bond payment for the aquatic center out of the Local Option Sales Tax Fund. The City had sufficient cash balances to absorb these additional costs.

#### DEBT ADMINISTRATION

At June 30, 2006, the City had \$3,382,173 in bonds and other long-term debt, compared to \$3,225,242 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
General obligation bonds	\$ 1,470,000	1,615,000
General obligation notes	951,642	1,141,060
Revenue bonds	330,531	349,182
Revenue notes	510,000	-
Contracts	120,000	120,000
Total	<u>\$ 3,382,173</u>	<u>3,225,242</u>

Debt increased as a result of issuing revenue notes for a new day care center.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$2,421,642 is below its constitutional debt limit of \$ 2,587,194.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities.

It appears that the 2007 budget may have to be amended due to the cost of energy, telephone and fuel for City vehicles. The budget situation is becoming more critical and unless the roll back formula is changed some City services may have to be eliminated. The legislature has removed many of the City's options to increase their revenues.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carolyn Brownfield, City Clerk, at PO Box 234, Toledo, Iowa 52342

# CITY OF TOLEDO

## Statement of Activities and Net Assets-Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 500,940	197,279	24,911	18,052
Public works	253,431	-	212,579	77,340
Culture and recreation	257,869	-	29,660	79,607
Community and economic development	39,770	-	43,516	-
General government	341,222	43,021	4,682	-
Debt service	461,614	-	126	-
Capital projects	1,048,057	-	-	347,297
Total governmental activities	2,902,903	240,300	315,474	522,296
Business type activities:				
Water	213,460	240,791	5,007	-
Sewer	201,291	203,880	5,179	-
Solid waste	17,866	10,614	104	-
Reinieg estate	57,494	59,505	-	-
Total business type activities	490,111	514,790	10,290	-
Total	\$ 3,393,014	755,090	325,764	522,296

### General Receipts:

Property tax levied for:	
General purposes	
Employee benefits	
Tax increment financing	
Debt service	
Other city tax	
Local option sales tax	
Unrestricted interest on investments	
Loan proceeds	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Change in cash basis net assets	
Cash basis net assets beginning of year	
Cash basis net assets end of year	

### Cash Basis Net Assets

Restricted:	
Streets	
Urban renewal purposes	
Debt service	
Unrestricted	
Total cash basis net assets	

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(260,698)	-	(260,698)
36,488	-	36,488
(148,602)	-	(148,602)
3,746	-	3,746
(293,519)	-	(293,519)
(461,488)	-	(461,488)
(700,760)	-	(700,760)
(1,824,833)	-	(1,824,833)
-	32,338	32,338
-	7,768	7,768
-	(7,148)	(7,148)
-	2,011	2,011
-	34,969	34,969
(1,824,833)	34,969	(1,789,864)
374,740	-	374,740
93,970	-	93,970
181,716	-	181,716
165,488	-	165,488
70,962	-	70,962
136,272	-	136,272
9,061	-	9,061
510,000	-	510,000
26,690	-	26,690
36,163	(36,163)	-
1,605,062	(36,163)	1,568,899
(219,771)	(1,194)	(220,965)
774,665	457,836	1,232,501
\$ 554,894	456,642	1,011,536
\$ 91,554	-	91,554
19,832	-	19,832
20,911	93,187	114,098
422,597	363,455	786,052
\$ 554,894	456,642	1,011,536

**CITY OF TOLEDO**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2006**

	General	Special Revenue			
		Road Use Tax	Employee Benefits	Tax Increment Financing	Ambulance Equipment
<b>Receipts:</b>					
Property tax	\$ 395,614	-	93,970	-	-
Tax increment financing	-	-	-	181,716	-
Other city tax	56,198	-	-	-	-
Intergovernmental	144,459	212,579	-	-	-
Licenses and permits	3,896	-	-	-	-
Charges for service	43,831	-	-	-	158,581
Use of money and property	17,951	-	1,944	-	2,924
Special assessments	-	-	-	-	-
Miscellaneous	38,993	-	-	-	-
<b>Total receipts</b>	<b>700,942</b>	<b>212,579</b>	<b>95,914</b>	<b>181,716</b>	<b>161,505</b>
<b>Disbursements:</b>					
Operating:					
Public safety	403,884	-	97,056	-	-
Public works	-	219,483	33,948	-	-
Culture and recreation	195,376	-	36,349	-	-
Community and economic development	18,938	-	20,832	-	-
General government	341,222	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
<b>Total disbursements</b>	<b>959,420</b>	<b>219,483</b>	<b>188,185</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(258,478)</b>	<b>(6,904)</b>	<b>(92,271)</b>	<b>181,716</b>	<b>161,505</b>
<b>Other financing sources (uses):</b>					
Sale of capital assests	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Operating transfers in	250,630	-	-	-	-
Operating transfers out	-	(28,448)	-	(261,165)	(31,950)
<b>Total other financing sources (uses)</b>	<b>250,630</b>	<b>(28,448)</b>	<b>-</b>	<b>(261,165)</b>	<b>(31,950)</b>
<b>Net change in cash balances</b>	<b>(7,848)</b>	<b>(35,352)</b>	<b>(92,271)</b>	<b>(79,449)</b>	<b>129,555</b>
<b>Cash balances beginning of year</b>	<b>29,636</b>	<b>126,906</b>	<b>177,469</b>	<b>99,281</b>	<b>89,523</b>
<b>Cash balances end of year</b>	<b>\$ 21,788</b>	<b>91,554</b>	<b>85,198</b>	<b>19,832</b>	<b>219,078</b>
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
General fund	21,788	-	-	-	-
Special revenue funds	-	91,554	85,198	19,832	219,078
Capital projects fund	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 21,788</b>	<b>91,554</b>	<b>85,198</b>	<b>19,832</b>	<b>219,078</b>

Debt Service	Capital Projects Day Care Center	Other Nonmajor Governmental Funds	Total
165,488	-	-	655,072
-	-	-	181,716
-	-	131,205	187,403
-	314,915	3,915	675,868
-	-	-	3,896
-	-	8,953	211,365
126	-	2,505	25,450
-	-	9,255	9,255
-	15,226	116,432	170,651
165,614	330,141	272,265	2,120,676
-	-	-	500,940
-	-	-	253,431
-	-	26,144	257,869
-	-	-	39,770
-	-	-	341,222
461,614	-	-	461,614
-	891,570	156,487	1,048,057
461,614	891,570	182,631	2,902,903
(296,000)	(561,429)	89,634	(782,227)
-	-	16,293	16,293
-	510,000	-	510,000
296,000	50,000	31,615	628,245
-	-	(270,519)	(592,082)
296,000	560,000	(222,611)	562,456
-	(1,429)	(132,977)	(219,771)
20,911	-	230,939	774,665
20,911	(1,429)	97,962	554,894
20,911	-	-	20,911
-	-	-	21,788
-	-	39,729	455,391
-	(1,429)	58,233	56,804
20,911	(1,429)	97,962	554,894



# CITY OF TOLEDO

Exhibit C

## Statement of Cash Receipts, Disbursements and Changes in Cash Balances Proprietary Funds As of and for the year ended June 30, 2006

	Enterprise Funds				Total
	Water Utility	Sewer Utility	Water Sinking Fund	Nonmajor Enterprise Funds	
Operating receipts:					
Charges for services	\$ 235,501	203,680	-	10,614	449,795
Miscellaneous	5,290	200	-	29,700	35,190
Total operating receipts	240,791	203,880	-	40,314	484,985
Operating disbursements:					
Business type activities	178,609	201,291	-	75,360	455,260
Excess (deficiency) of operating receipts over (under) operating disbursements	62,182	2,589	-	(35,046)	29,725
Non-operating receipts (disbursements):					
Interest on investments	3,653	2,689	1,354	2,594	10,290
Rent	-	-	-	29,805	29,805
Debt service	-	-	(34,851)	-	(34,851)
Total non-operating receipts (disbursements)	3,653	2,689	(33,497)	32,399	5,244
Excess (deficiency) of receipts over (under) disbursements	65,835	5,278	(33,497)	(2,647)	34,969
Other financing sources (uses):					
Operating transfers in	-	-	47,505	-	47,505
Operating transfers out	(50,672)	(32,996)	-	-	(83,668)
Total other financing sources (uses)	(50,672)	(32,996)	47,505	-	(36,163)
Net change in cash balances	15,163	(27,718)	14,008	(2,647)	(1,194)
Cash balances beginning of year	229,647	145,063	49,222	33,904	457,836
Cash balances end of year	\$ 244,810	117,345	63,230	31,257	456,642
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	63,230	29,957	93,187
Unreserved	244,810	117,345	-	1,300	363,455
Total cash basis fund balances	\$ 244,810	117,345	63,230	31,257	456,642

See notes to financial statements.

# CITY OF TOLEDO

## Notes to Financial Statements

### June 30, 2006

#### Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

##### A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

##### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for benefits paid to employees.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Ambulance Equipment Fund is used to purchase equipment for the ambulance service provided to citizens.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Day Care Fund is used to account for the construction of a new day care center.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system

The Water Sinking Fund is used to account for amounts necessary to make annual revenue bond and interest payments.

**C. Measurement Focus and Basis of Accounting**

The City of Toledo maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Public Safety and Community and Economic Development activities functions.

**Note 2 – Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**Note 3 – Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, water revenue bonds and notes, and contracts are as follows:

<b>Year Ending June 30</b>	<b>General Obligation Bonds</b>		<b>General Obligation Notes</b>		<b>Water Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 155,000	\$ 63,875	\$ 210,834	\$ 38,083	\$ 18,261	\$ 16,590
2008	75,000	57,141	162,298	28,691	19,175	15,676
2009	55,000	54,380	174,832	21,770	20,133	14,718
2010	55,000	52,591	65,439	14,359	21,140	13,711
2011	60,000	50,690	87,123	12,194	22,197	12,654
2012	65,000	48,501	101,116	8,905	23,307	11,544
2013	65,000	46,023	50,000	4,825	24,472	10,379
2014	70,000	43,447	50,000	3,000	25,696	9,155
2015	70,000	40,607	50,000	1,025	26,981	7,870
2016	75,000	37,697	-	-	28,330	6,521
2017	75,000	34,507	-	-	29,746	5,105
2018	80,000	31,242	-	-	31,233	3,618
2019	85,000	27,672	-	-	32,795	2,056
2020	90,000	23,797	-	-	7,065	416
2021	90,000	19,607	-	-	-	-
2022	100,000	15,283	-	-	-	-
2023	100,000	10,372	-	-	-	-
2024	105,000	5,463	-	-	-	-
<b>Total</b>	<b>\$1,470,000</b>	<b>\$ 662,895</b>	<b>\$ 951,642</b>	<b>\$ 132,852</b>	<b>\$ 330,531</b>	<b>\$ 130,013</b>

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

Year Ending June 30	Contracts		Child Care Center Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 30,000	\$ -	\$ 510,000	\$ 16,065	\$ 924,095	\$ 134,613
2008	30,000	-	-	-	286,473	101,508
2009	30,000	-	-	-	279,965	90,868
2010	30,000	-	-	-	171,579	80,661
2011	-	-	-	-	169,320	75,538
2012	-	-	-	-	189,423	68,950
2013	-	-	-	-	139,472	61,227
2014	-	-	-	-	145,696	55,602
2015	-	-	-	-	146,981	49,502
2016	-	-	-	-	103,330	44,218
2017	-	-	-	-	104,746	39,612
2018	-	-	-	-	111,233	34,860
2019	-	-	-	-	117,795	29,728
2020	-	-	-	-	97,065	24,213
2021	-	-	-	-	90,000	19,607
2022	-	-	-	-	100,000	15,283
2023	-	-	-	-	100,000	10,372
2024	-	-	-	-	105,000	5,463
Total	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ 16,065</u>	<u>\$3,382,173</u>	<u>\$ 941,825</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water revenue bond sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

As of June 30, 2006, the City has established the depository accounts required by the bond resolution for the water revenue bonds.

**Note 4 – Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Contribution requirements are established by

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$35,146, \$35,462 and \$33,731, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

**Note 5 – Compensated Absences**

City employees accumulate vacation hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the city until used or paid. The City was liable for \$15,020 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2006.

**Note 6 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Ambulance Equipment Fund \$	31,950
	Local Option Sales Tax	16,649
	Fire Equipment	18,706
	Tax Increment Financing	150,329
	Enterprise:	
	Sewer utility	32,996
		<u>250,630</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	110,836
	Local Option Sales Tax	172,685
	Special Assessments	12,479
		<u>296,000</u>

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**Note 6 – Interfund Transfers (continued)**

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Capital Projects:	
Road Use Tax	Housing Projects	28,448
	Enterprise:	
Special Assessments	Water utility	3,167
		<u>31,615</u>
Capital Projects:	Capital Projects:	
Housing Project	Day Care Center	50,000
Enterprise:	Enterprise:	
Water Sinking	Water Utility	<u>47,505</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**Note 7 – Risk Management**

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 8 – Commitments**

At June 30, 2006 the City of Toledo had a contract for the building of a new day care center. The outstanding contract for this project totaled \$238,809.

**Note 9 – Deficit Balances**

The Capital Projects, Day Care Center Fund, had a deficit balance of \$1,429 at June 30, 2006. The deficit was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants. The Solid Waste Fund had a deficit balance of \$711 at June 30, 2006. The deficit was a result of the timing difference in collection of solid waste fees and the per capita fee due the Tama County Solid Waste Commission.



# CITY OF TOLEDO

## Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual (Cash Basis)

### All Governmental Funds and Proprietary Funds

### Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 655,072	-
Tax increment financing collections	181,716	-
Other city tax	187,403	-
Intergovernmental	675,868	-
Licenses and permits	3,896	-
Charges for service	211,365	479,600
Use of money and property	25,450	10,290
Special assessments	9,255	-
Miscellaneous	170,651	35,190
Total receipts	<u>2,120,676</u>	<u>525,080</u>
Disbursements:		
Public safety	500,940	-
Public works	253,431	-
Culture and recreation	257,869	-
Community and economic development	39,770	-
General government	341,222	-
Debt service	461,614	-
Capital projects	1,048,057	-
Business type activities	-	490,111
Total disbursements	<u>2,902,903</u>	<u>490,111</u>
Excess (deficiency) of receipts over (under) disbursements	(782,227)	34,969
Other financing sources (uses), net	562,456	(36,163)
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(219,771)	(1,194)
Balance beginning of year	774,665	457,836
Balance end of year	<u>\$ 554,894</u>	<u>456,642</u>

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
655,072	655,335	655,335	(263)
181,716	114,028	114,028	67,688
187,403	229,122	229,122	(41,719)
675,868	227,561	227,561	448,307
3,896	4,128	4,128	(232)
690,965	592,450	592,450	98,515
35,740	23,594	23,594	12,146
9,255	25,474	25,474	(16,219)
205,841	362,457	944,129	(738,288)
2,645,756	2,234,149	2,815,821	(170,065)
500,940	431,937	475,937	(25,003)
253,431	332,084	332,084	78,653
257,869	280,092	504,807	246,938
39,770	-	25,207	(14,563)
341,222	232,991	370,603	29,381
461,614	439,581	589,719	128,105
1,048,057	-	1,050,000	1,943
490,111	507,471	507,471	17,360
3,393,014	2,224,156	3,855,828	462,814
(747,258)	9,993	(1,040,007)	292,749
526,293	-	1,050,000	(523,707)
(220,965)	9,993	9,993	(230,958)
1,232,501	1,668,429	1,668,429	(435,928)
1,011,536	1,678,422	1,678,422	(666,886)

## **CITY OF TOLEDO**

### **Notes to Required Supplementary Information – Budgetary Reporting June 30, 2006**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,631,672. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Public Safety and Community and Economic Development.

**CITY OF TOLEDO**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2006**

	Special Revenue			
	Local Option Sales Tax	Gift Trust	Fire Equipment	Special Assessments
Receipts:				
Other city tax	\$ 131,205	-	-	-
Special assessments	-	-	-	9,255
Intergovernmental	-	3,915	-	-
Charges for services	5,067	-	3,886	-
Use of money and property	1,250	6	678	57
Miscellaneous	-	20,183	-	-
Total receipts	137,522	24,104	4,564	9,312
Disbursements:				
Operating:				
Culture and recreation	5,113	21,031	-	-
Capital projects	-	-	-	-
Total disbursements	5,113	21,031	-	-
Excess of receipts over disbursements	132,409	3,073	4,564	9,312
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	3,167
Operating transfers out	(189,334)	-	(18,706)	(12,479)
Total other financing sources (uses)	(189,334)	-	(18,706)	(9,312)
Net change in cash balances	(56,925)	3,073	(14,142)	-
Cash balances at beginning of year	76,698	-	31,025	-
Cash balances at end of year	\$ 19,773	3,073	16,883	-
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 19,773	3,073	16,883	-
Capital project funds	-	-	-	-
Total cash basis fund balances	\$ 19,773	3,073	16,883	-

Capital Projects				
Aquatic Center	Library	Housing Project	Storm Sewer Project	Total
-	-	-	-	131,205
-	-	-	-	9,255
-	-	-	-	3,915
-	-	-	-	8,953
514	-	-	-	2,505
4,953	79,607	11,689	-	116,432
5,467	79,607	11,689	-	272,265
-	-	-	-	26,144
106,186	50,301	-	-	156,487
106,186	50,301	-	-	182,631
(100,719)	29,306	11,689		89,634
-	-	16,293	-	16,293
-	-	28,448	-	31,615
-	-	(50,000)	-	(270,519)
-	-	(5,259)	-	(222,611)
(100,719)	29,306	6,430	-	(132,977)
104,052	-	(5,765)	24,929	230,939
3,333	29,306	665	24,929	97,962
-	-	-	-	39,729
3,333	29,306	665	24,929	58,233
3,333	29,306	665	24,929	97,962

**CITY OF TOLEDO**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Enterprise Funds**  
**As of and for the year ended June 30, 2006**

	Sewer Sinking Fund	Solid Waste	Reinig Estate	Total
Operating receipts:				
Charges for services	\$ -	10,614	-	10,614
Miscellaneous	-	-	29,700	29,700
Total operating receipts	-	10,614	29,700	40,314
Operating disbursements:				
Business type activities	-	17,866	57,494	75,360
Deficiency of operating receipts under operating disbursements	-	(7,252)	(27,794)	(35,046)
Non-operating receipts:				
Interest on investments	2,490	104	-	2,594
Rent	-	-	29,805	29,805
Total non-operating receipts	2,490	104	29,805	32,399
Net change in cash balances	2,490	(7,148)	2,011	(2,647)
Cash balances beginning of year	27,467	6,437	-	33,904
Cash balances end of year	\$ 29,957	(711)	2,011	31,257
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 29,957	-	-	29,957
Unreserved	-	(711)	2,011	1,300
Total cash basis fund balances	\$ 29,957	(711)	2,011	31,257

**CITY OF TOLEDO**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2006**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water revenue	Aug 1, 1993	2.80-5.40%	\$ 1,455,000
GO bond	May 1, 1997	4.45-5.20%	650,000
Aquatic center	Aug 1, 2004	2.25-5.05%	1,005,000
Aquatic center	Aug 1, 2004	2.45-5.25%	400,000
Total			<u>3,510,000</u>
General obligation notes:			
Street improvement	Jun 19, 2000	4.80-5.40%	711,000
Fire truck	May 21, 2002	5%	260,000
Library	Jan 26, 2005	2.05-4.10%	400,000
Total			<u>1,371,000</u>
Revenue bonds:			
Water	Feb 14, 1983	5%	<u>587,800</u>
Revenue note:			
Child care center	Jan 0, 1900	3.15%	<u>800,000</u>
Contracts:			
Real estate	Feb 14, 1983	0%	<u>150,000</u>

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
55,000	-	15,000	40,000	2,920	-
155,000	-	75,000	80,000	7,985	-
1,005,000	-	40,000	965,000	17,390	-
400,000	-	15,000	385,000	41,453	-
1,615,000	-	145,000	1,470,000	69,748	-
491,000	-	130,000	361,000	26,119	-
250,060	-	29,418	220,642	11,896	-
400,000	-	30,000	370,000	17,833	-
1,141,060	-	189,418	951,642	55,848	-
349,182	-	18,651	330,531	17,459	-
-	510,000	-	510,000	-	-
120,000	-	-	120,000	-	-



**CITY OF TOLEDO**  
**Bond and Note Maturities**  
**June 30, 2006**

General Obligation Bonds						
<u>Year</u> <u>Ending</u> <u>June 30,</u>	Water Revenue		General Obligation		Aquatic Center	
	Issued Aug. 1, 1993		Issued May 1, 1997		Issued Aug. 1, 2004	
	Interest		Interest		Interest	
	Rates	Amount	Rate	Amount	Rate	Amount
2007	5.30 %	\$ 20,000	5.20 %	\$ 80,000	2.90 %	15,000
2008	5.40	20,000		-	3.20	15,000
2009		-		-	3.40	15,000
2010		-		-	3.60	15,000
2011		-		-	3.80	15,000
2012		-		-	3.95	20,000
2013		-		-	4.10	20,000
2014		-		-	4.20	20,000
2015		-		-	4.30	20,000
2016		-		-	4.40	20,000
2017		-		-	4.50	20,000
2018		-		-	4.60	25,000
2019		-		-	4.70	25,000
2020		-		-	4.80	25,000
2021		-		-	4.95	25,000
2022		-		-	5.05	30,000
2023		-		-	5.15	30,000
2024		-		-	5.25	30,000
Total		<u>\$ 40,000</u>		<u>\$ 80,000</u>		<u>\$ 385,000</u>

General Obligation Notes						
<u>Year</u> <u>Ending</u> <u>June 30,</u>	Street Improvement		Fire Truck		Library	
	Issued June 19, 2000		Issued May 21, 2002		Issued Jan. 26, 2005	
	Interest		Interest		Interest	
	Rates	Amount	Rate	Amount	Rate	Amount
2007	5.30 %	\$ 150,000	4.75 %	\$ 30,851	2.25 %	30,000
2008	5.35	100,000	4.75	32,317	2.45	30,000
2009	5.40	111,000	4.75	33,853	2.70	30,000
2010		-	4.75	35,460	2.95	30,000
2011		-	4.75	37,145	3.50	50,000
2012		-	4.75	51,016	3.65	50,000
2013		-		-	3.80	50,000
2014		-		-	3.95	50,000
2015		-		-	4.10	50,000
Total		<u>\$ 361,000</u>		<u>\$ 220,642</u>		<u>\$ 370,000</u>

See accompanying independent auditors' report. 30

Aquatic Center		Water Revenue Bonds		
Issued Aug. 1, 2004		Issued Feb. 14, 1983		
Interest		Interest		Total
Rate	Amount	Rate	Amount	
2.70 %	\$ 40,000	2.70 %	\$ 18,261	\$ 173,261
3.00	40,000	3.00	19,175	94,175
3.20	40,000	3.20	20,133	75,133
3.40	40,000	3.40	21,140	76,140
3.60	45,000	3.60	22,197	82,197
3.75	45,000	3.75	23,307	88,307
3.90	45,000	3.90	24,472	89,472
4.00	50,000	4.00	25,696	95,696
4.10	50,000	4.10	26,981	96,981
4.20	55,000	4.20	28,330	103,330
4.30	55,000	4.30	29,746	104,746
4.40	55,000	4.40	31,233	111,233
4.50	60,000	4.50	32,795	117,795
4.60	65,000	4.60	7,065	97,065
4.75	65,000	4.75	-	90,000
4.85	70,000	4.85	-	100,000
4.95	70,000	4.95	-	100,000
5.05	75,000	5.05	-	105,000
	<u>\$ 965,000</u>		<u>\$ 330,531</u>	<u>\$ 1,800,531</u>

Revenue Note		Contracts		Total
Child Care Center		Real Estate		
Issued Nov.14, 2005		Issued Jan. 3, 2005		
Interest		Interest		
Rate	Amount	Rate	Amount	
3.15 %	\$ 510,000	- %	\$ 30,000	\$ 750,851
	-		30,000	192,317
	-		30,000	204,853
	-		30,000	95,460
	-		-	87,145
	-		-	101,016
	-		-	50,000
	-		-	50,000
	-		-	50,000
	\$ 510,000		\$ 120,000	\$ 1,581,642

# CITY OF TOLEDO

Schedule 5

## Schedule of Receipts By Source and Disbursements by Function- All Governmental Funds For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property tax	\$ 655,072	795,644	768,290	888,719
Tax increment financing collections	181,716	114,003	64,186	62,259
Other city tax	187,403	211,542	175,149	107,346
Intergovernmental	675,868	219,645	227,244	266,451
Licenses and permits	3,896	27,301	22,974	5,417
Use of money and property	211,365	31,953	24,402	58,807
Charges for services	25,450	39,348	47,774	386,887
Special assessments	9,255	19,618	14,032	24,315
Miscellaneous	170,651	1,164,122	955,589	384,072
	<u>2,120,676</u>	<u>2,623,176</u>	<u>2,299,640</u>	<u>2,184,273</u>
Total	\$ 2,120,676	2,623,176	2,299,640	2,184,273
Disbursements:				
Operating:				
Public safety	\$ 500,940	456,775	370,519	324,280
Public works	253,431	296,595	277,218	267,176
Culture and recreation	257,869	243,387	306,754	216,416
Community and economic development	39,770	181,362	204,155	72,043
General government	341,222	317,135	268,226	274,163
Debt service	461,614	359,262	287,311	432,979
Capital projects	1,048,057	2,548,724	962,651	20,683
	<u>2,902,903</u>	<u>4,403,240</u>	<u>2,676,834</u>	<u>1,607,740</u>
Total	\$ 2,902,903	4,403,240	2,676,834	1,607,740



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 27, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Toledo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Toledo's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is material weaknesses.

## Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operation for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Toledo and other parties to whom the City of Toledo may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Toledo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
December 27, 2006

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2006**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2006**

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-06 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will review procedures and find a solution to this issue

Conclusion – Response accepted.

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2006**

**Part III: Other Findings Related to Statutory Reporting:**

III-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the public safety and community and economic development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.14 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will make certain that the budget is amended in accordance with Chapter 384.14 of the Code of Iowa.

Conclusion – Response accepted.

III-B-06 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 24, 1979.

III-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-06 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on December 27, 2005 and January 23, 2006. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

The Council did not approve all inter-fund operating transfers in accordance with Chapter 331.432 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should approve all inter-fund operating transfers in accordance with Chapter 331.432 of the Code of Iowa.

Response – This will be corrected and the minutes will reflect the specific information regarding the closed sessions required by Chapter 21. Inter-fund transfers will be approved in accordance with Chapter 331.432 of the Code of Iowa.

Conclusion – Response accepted.



**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2006**

III-G-06 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-06 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

III- I- 06 Financial Condition – Capital Projects Fund-Daycare Center and the Solid Waste Fund had deficit balances of \$1,429 and \$711 respectively at June 30, 2006.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The Capital Projects Fund-Daycare Center will change and be corrected as the construction portion of the project has been completed. The Solid Waste fees have been re-evaluated and raised in order to correct this financial position.

Conclusion – Response accepted.

## **CITY OF TOLEDO**

Audit Staff

This audit was performed by:

Bowman and Miller, P.C.  
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Marshalltown, IA 50158

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